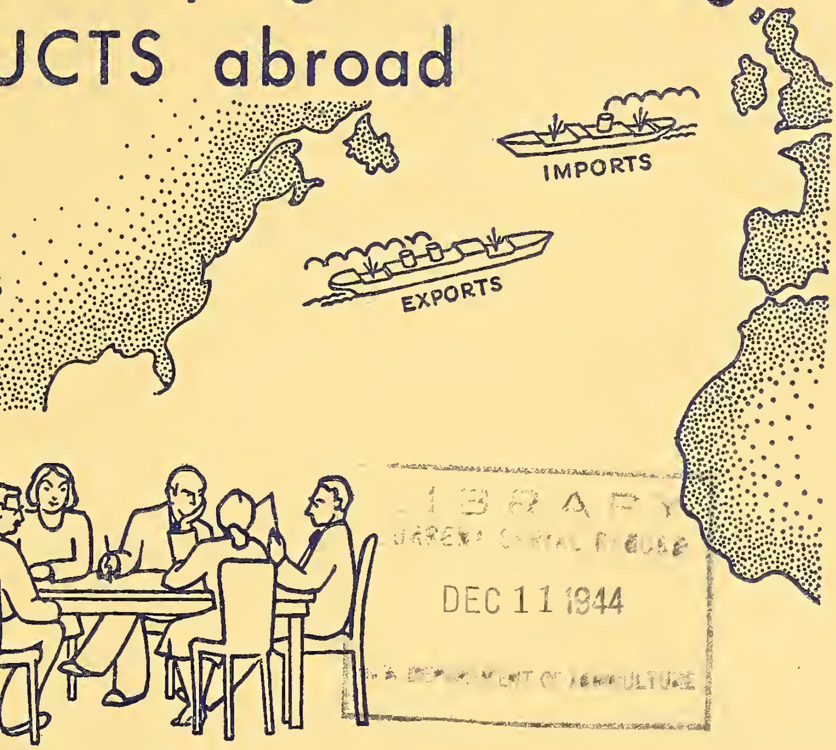
D.S. 25

Let's talk about buying and selling FARM PRODUCTS abroad

A discussion guide for farm groups

From the United States Department of Agriculture



The Foreign market—will it continue to be an important outlet for surplus farm products? This discussion leaflet is intended to give farmers a better understanding of: (1) What United States agricultural products have been sold abroad; (2) what agricultural products are most likely to be available for sale abroad in large volume in the future; (3) what the important imports of agricultural products into this country have been; (4) how exports and imports have been paid for; and (5) what barriers have prevented greater sales in foreign markets. Some suggestions that have been made for removing trade barriers are also included.

A knowledge of the primary reasons for foreign trade is necessary to an understanding of the foreign trade in agricultural products carried on by the United States. Most of our foreign trade, like domestic trade, takes place because consumers want things they cannot produce themselves or cannot produce as advantageously as they can buy them. Trade among nations is based primarily upon the comparative production advantages of the different countries. These advantages arise out of differences in climate, natural resources, efficiency and genius of the people, and available capital equipment.

Different countries by making use of their special advantages are able to produce commodities for sale to other countries at prices and under conditions that are attractive. Countries, both as importers and exporters, benefit from the production in which they have the greatest comparative advantage. Comparative advantage, however, does not always explain why certain items enter into international trade. The explanation often may be found in the encouragement by subsidies or otherwise that a country gives to the production of a commodity for export even though the comparative cost is high; it may be found in the necessity for maintaining production to avoid the unemployment that would result or the loss of investment that would be entailed if such production for export were discontinued.

Recognition of the different policies that the people of the United States may follow in the field of foreign trade is also important in arriving at a better understanding of the foreign-trade problems facing farmers. One policy is to permit our world trade to *contract* leading toward only such a volume of agricultural and industrial production as could be sold on home markets. Another policy is to *expand* our world trade with a view of permitting imports to balance or even to exceed exports. A third, or "in-between" policy is to *continue*, for the time being, to have a considerable volume of exports and imports but with exports of greater value than imports. To do this we would have to make loans to foreign countries or accept gold from them, or both, in order to provide a balance for most of the excess of our exports over our imports.

EXPORTS OF FARM PRODUCTS

The Most Important Agricultural Products Exported before the war, in terms of dollars, were wheat

609692°—44

and flour, cotton, tobacco, pork products, and fresh and dried fruits. For nearly 20 years, however, the general trend of total agricultural exports has been downward, although tobacco exports have held their own and fruit exports have increased. Two out of these five major agricultural exports, namely wheat and cotton, are of especial interest from a so-called surplus and export viewpoint.

Before 1939, exports of both wheat and cotton were declining and acreages of both were decreasing, but production of both was well maintained and surplus stocks were increasing (table 1). Beginning in 1939, world stocks of wheat continued to pile up, reaching, by 1943, 1,750 million bushels in the four important wheat-exporting countries—Argentina, Canada, Australia, and the United States. In 1943–44 surplus stocks of wheat in the United States melted away. This was due to war demands for food, feed, and alcohol—used for rubber and explosives.

Only 300 million bushels of wheat were carried over into the 1944 crop year, as compared with 600 million bushels in 1943. Approximately 550 million bushels of wheat will be used in 1944–45 for food, 80 million for seed, 250–300 million for livestock feed, and 115 million for alcohol, and it is expected that exports will exceed 100 million bushels. Due to the large 1944 crop, the carry-over at the end of the 1944–45 year will probably not be reduced from the level at the beginning of the year. It is estimated that on July 1, 1944, the stocks of wheat in the United States, Argentina, Canada, and Australia had been reduced from 1,750 million bushels to 1,140 million bushels. This will provide for domestic requirements in these four countries and for normal carry-over, and still leave more than 700 million bushels for export.

A factor of importance to cotton growers in the United States is the increase that has been taking place in the production of cotton in other cotton-exporting countries without a corresponding increase in the cotton-import requirements of consuming countries. Another factor of importance to growers is the rapid development of synthetic fibers which compete with cotton in the production of tire cord and high-grade textiles.

World cotton stocks in 1943 reached a total of 24 million bales. In the season 1943–44, stocks in the United States were somewhat lowered by high domestic-mill consumption but the world supply is still more than adequate.

Of the farm products grown in your community which are exported? What have been the trends in these exported crops?

TABLE 1. WHEAT AND COTTON.—Data for specified years on acreage and production in the United States; exports from this country, and stocks on hand in the United States alone, in Argentina, Australia, Canada, and the United States combined, and in the world

Year	Wheat					Cotton				
	Acreage seeded, United States	Production, United States	Stocks on July 1, United States	Exports, United States	Stocks July 1 Argentina, Australia, Canada, and United States	Acreage in cultivation July 1, United States	Production, United States	Stocks of American cotton in United States, Aug. 1	Exports, United States	World stocks, Aug. 1
	Million acres	*Million bushels*	*Million bushels*	*Million bushels*	*Million bushels*	*Million acres*	*Million bales*	*Million bales*	*Million bales*	*Million bales*
1919	77.4	952	85	222	[1] 273	34.6	11.4	[2] 3.5	6.5	[2] 11.8
1929	67.2	824	227	143	584	44.4	14.8	2.1	6.7	10.5
1939	62.8	741	250	48	701	24.7	11.8	13.0	[3] 6.2	21.6
1943	55.1	836	622	....	1,750	21.9	11.4	10.6	....	23.9
1944[4]	67.0	1,100	320	....	1,140	20.5	12.0	....	....	....

[1] 1922 stocks. [2] 1920 stocks.

[3] Exports of cotton were 3,327,000 bales in 1938 and 1,112,000 bales in 1940. Exports of cotton in 1939 were stimulated by an export subsidy ranging from 1½ cents down to 2 tenths of a cent a pound. [4] Estimated.

WHAT FARM PRODUCTS SOLD FROM OR USED IN YOUR COMMUNITY ARE EXPORTED OR IMPORTED? (CHECK IN THE COLUMNS BELOW)

Exported	*Imported*
WHEAT .... COTTON .... RICE .... TOBACCO .... APPLES .... PORK	RUBBER .... TEA.... SILK .... SISAL .... TUNG OIL .... SUGAR ....
OTHERS	OTHERS..

WOULD AN INCREASE OF EXPORTS OR IMPORTS OF THE ABOVE PRODUCTS BENEFIT FARMERS IN YOUR COMMUNITY? TOWNSPEOPLE IN YOUR COMMUNITY? THE PEOPLE OF THE UNITED STATES AS A WHOLE?

More or Less for Export Now? Before the present war about 97 percent of the food produced in this country was consumed at home and 3 percent was exported. In 1943 and 1944, about 75 percent of the food we produce is being allocated to civilians, 13 to 14 percent to our armed forces, and 11 or 12 percent to other countries among the United Nations and to the liberated areas. The food output in 1943 was about one-third more than in the pre-war period, 1935–39; consequently the 75 percent of the total production now allotted to civilians provides about the same quantity as that consumed by them in pre-war years. There is no Government program to limit the production of any food crops in the United States in 1944, but there are farm-marketing quotas for some kinds of tobacco.

Although only 3 percent of all food produced in this country before the war was exported, much more than 3 percent of some agricultural products was marketed abroad. During the 5 years ending in 1939 the United States exported 45 percent of its cotton, 30 percent of its tobacco, 8 percent of its wheat, 10 percent of its lard, and 15 percent of its rice. But the importance of even a small percentage of a surplus crop sold abroad may be far in excess of its sales value. *The price of the exported part under free competitive conditions largely determines the price of the much greater part sold on the home market.* Government policies and price-supporting devices may change the competitive situation, however, and may modify the effect of prices received in foreign markets.

More or Less Agricultural Products for Export in the Future? Our men when in the armed forces are said to consume about one-third more than they did in civilian life. If domestic consumption after the war returns to pre-war levels there will apparently be more food for home consumption or for export than in pre-war years, unless food production in the United States should show a large drop in the future.

On the other hand, if the United States carries out the pledge proposed at the United Nations Conference on Food and Agriculture to provide adequate nutrition for its own people, perhaps 10 million acres more cropland will be needed for that purpose alone than was being used in 1943 to produce food for home consumption. It will be needed principally to grow fruit and truck crops, peas and beans, and feed for dairy cows. Such a program might call for a decreased acreage of cotton and wheat. Then there would be less of these products for export, also less feed for livestock from these crops.

Furthermore, Government price-supporting policies, which raise domestic prices of farm products above competitive world prices, tend to cut down exports of these commodities even though stocks accumulate. Before the present war, wheat and cotton were being affected in this manner.

Would it be practical to divert part of our wheat and cotton acreage to the production of fruit, truck, and feed crops or other crops to help supply our nutrition needs and reduce surpluses? What part of this program could be carried out in your community?

Should wheat growers in the United States continue to grow 800 million bushels or more of wheat annually and look for a foreign market for the surplus, in competition with huge world supplies from other countries? If so why? Will the use of wheat for feed and the manufacture of industrial alcohol from wheat prevent a market surplus?

The International Wheat Agreement between the United States, Canada, Australia, and Argentina may furnish the answer to the question of surplus wheat. This agreement, announced in June 1942, provides for a post-war division of annual exports of wheat from these four countries. Of an estimated export market of 400 to 500 million bushels for these countries, the United States is allotted 16 percent, or 64 to 80 million bushels. The agreement stipulates that the United States shall maintain a carry-over of not less than 150 million bushels nor more than 400 million bushels. A range of prices for wheat exported will be established from time to time by the International Wheat Council made up of representatives from each country that signs the agreement. These prices are to be fair to both producers and consumers.

Do you think that such an allotment of wheat exports under the International Wheat Agreement will or will not be enough to prevent price-depressing wheat surpluses in the United States? Why do you think so? How could wheat production be adjusted to our export quota and domestic needs for food, feed, and seed?

What would you think of an international agreement, similar to the Wheat Agreement, for other surplus agricultural products—cotton for example? With an increasing world supply of cotton, should the cotton surplus in the United States be decreased by reducing production from 11 or 12 million bales to normal domestic requirements of perhaps a little more than one-half, selling the surplus abroad at whatever price it will bring, giving the surplus away in the form of textiles to low-income families, subsidizing the use of the surplus in manufactured products? What are other ways of handling the cotton surplus problem?

IMPORTS OF FARM PRODUCTS

The principal agricultural imports before the war, measured in dollars, were coffee, silk, rubber, sugar, vegetable oils, and oilseeds. Of the first four, the total quantity imported had not changed markedly for several years; but the importation of vegetable oils and oilseeds had gone up. *Now*, during the war period, the United States is getting most of its vegetable oils from cottonseed, peanuts, soybeans, and flaxseed. In 1944 this country was producing most of its rubber from petroleum and alcohol. Rayon, nylon, and similar fibers produced at home were being used instead of imported silk.

In 1939, imports of silk, rubber, vegetable oils, and

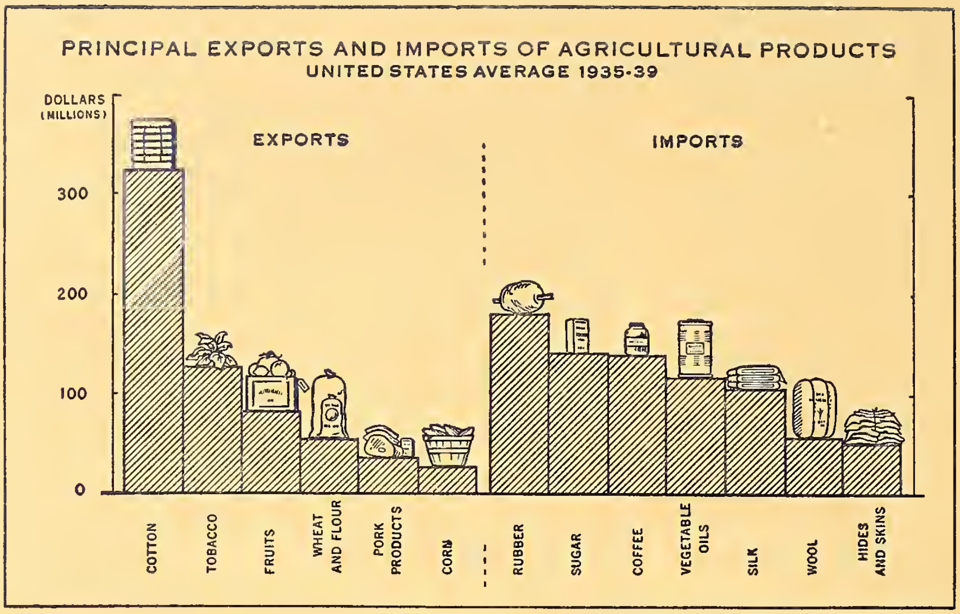


FIGURE 1

tion service do not conform approximately to the standards of the United States Department of Agriculture. This keeps out imports of fresh beef and mutton from South American countries.

Canned beef may be imported when United States inspection requirements are met and upon the payment of an import duty of 3 cents per pound but not less than 20 percent ad valorem. The United States Tariff Act of 1930 as amended by reciprocal trade agreements provides for an import duty on all cattle (except dairy cows) of 1½ cents a pound without limitation of number, for the duration of the national emergency. These amendments resulted in a reduction from the 1930 Tariff Act rate of 2½ cents a pound on lightweight cattle and 3 cents a pound on heavyweight cattle. These amendments have also provided for the suspension during the emergency of the annual import quota of 325,000 head for calves and heavyweight cattle.

After the national emergency is over, the 325,000 head quota for calves and heavyweight cattle which may be imported at a reduced rate of 1½ cents a pound will again be in effect. There will also be an annual quota of 400,000 head for feeder cattle, that is, cattle weighing from 200 to 700 pounds, which may be imported at the reduced rate of 1½ cents a pound. Imports in excess of the quota in all weights will be dutiable at 2½ cents a pound. In past years, imported cattle came chiefly from Canada and Mexico. In 1939 the number of dutiable cattle imported was about 31 head for each 1,000 head of cattle and calves slaughtered in the United States. The amount of canned beef, imported almost entirely from South America, is roughly estimated to have been about 20 head for each 1,000 head slaughtered in the United States.

oilseeds were valued at more than 380 million dollars. Rubber and silk as well as much of the oil and oilseeds came from the East Indies, China, and Japan. Before the war the United States was selling to Asia and the East Indies area manufactured goods more than equal in value to the silk, rubber, oils, and oilseeds we bought. These manufactured goods were in addition to nearly 1 million bales of raw cotton sold to Japan, China, and India.

The average annual exports and imports of highest value for certain agricultural products, for the 5-year period, 1934–39, are shown in figure 1. On the export side cotton accounted for about one-half of the total value of the important agricultural products sold abroad. On the import side three of the six commodities listed—silk, coffee, and natural crude rubber—were imported into the United States free of any import duty.

After the war should the United States continue to make most of its rubber out of petroleum and alcohol, grow most of its own oilseeds, and manufacture synthetic fibers to replace silk? If the cost is higher? If the quality is not so good? How has the production of oilseed crops in the United States affected your community since the war?

If we do not buy again from the East Indies, China, and Japan, to what extent do you think we could sell them manufactured products? Of what importance to agriculture, if any, was the sale of hundreds of millions of dollars of manufactured products to Asia and the East Indies area?

Beef and cattle imports. The amount of imported canned beef normally has been small when compared to our total domestic beef consumption; likewise, the number of imported beef cattle. Little fresh beef has been imported. Congress has directed the Secretary of Agriculture to prohibit the importation of certain meat animals and certain fresh meats from any countries where animals are infected with rinderpest or foot-and-mouth disease, or where the killing methods and inspec-

Competitive Imports. If we import competitive agricultural commodities from other countries, these imports need not mean a reduction in the total demand for our own farm products. Countries which sell competitive products to the United States will be in a better position to buy not only industrial products but also agricultural products. They will not necessarily buy these from the United States but, through triangular or multiangular trade, these United States imports create foreign exchange. This exchange will be used somewhere either to buy our goods or to employ our services or to repay debts due us. The sale of goods and services to foreign countries helps to keep our workers employed, and employed workers provide the most satisfactory and

dependable market for our own farm products.

Do you think the imports of canned beef and live cattle should be increased or decreased or remain as they are? Why? What effect would an increase have on cattle growers in the United States? On consumers? On our trade with Canada and Mexico? On the price of cattle in your community? Do you think imports of dairy products from Canada and our exports of citrus fruits to Canada are beneficial to both countries? Why is it not always necessary to buy from countries where we sell?

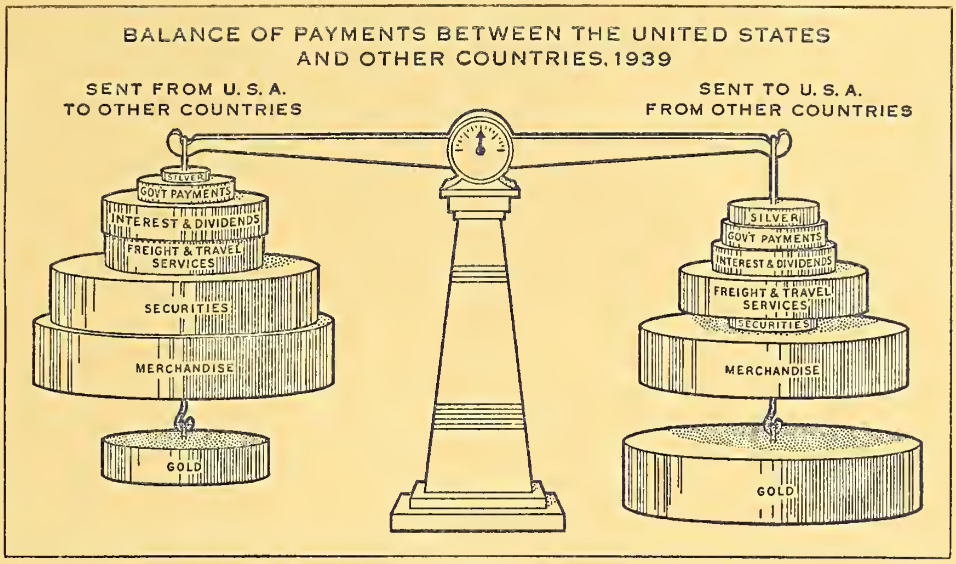


FIGURE 2

HOW EXPORTS AND IMPORTS ARE PAID FOR

Finding ways to pay for imports from the United States is a serious problem for foreign countries. During World War I the United States became a creditor instead of a debtor nation. Foreign countries not only sold us many of their investments here but also borrowed money from us. Then they no longer had interest and principal payments due them on investments in the United States. For many years such payments due to foreign investors had been used to pay us for the excess of our exports over our imports. Although the phrase "trade between nations" is in common use, the foreign trade of most nations in past years has been carried on largely by individuals and private corporations within nations and not by the governments of these nations.

When a country engages in trade with other countries, goods and services are bought and sold; but the value of the quantity sold in any year never exactly equals the value of the quantity bought. When a country sells more goods than it buys, it has a trade-export balance; and when a country buys more than it sells it has a trade-import balance. In most of the years during the last half century the United States has had a large trade-export balance.

There are four principal ways whereby countries pay for their foreign purchases of goods, services, securities, and real property. Payments are made: (1) Through the sale and shipment of goods such as manufactured products and raw materials including silver; (2) through the sale of services such as ocean transportation and travel facilities to foreign visitors; (3) through the sale of stocks, bonds, and real property such as land and buildings; and (4) by the shipment of gold.

The export and import balances on the different items, excepting gold, entering into international dalances of payments for 1939, resulted in a total export balance of payments of $3,018,000,000 for the United States and were equalized through the shipment of $3,574,000,000 of gold into the United States to cover this export balance and $556,000,000 of gold shipped out by the United States (figure 2 and table 2). The United States now has about 21.5 billion dollars worth of monetary gold stored at Fort Knox in Kentucky, or deposited in bank vaults in various cities. These billions of dollars are nearly two-thirds of all the monetary gold in the world. We may find ourselves in possession of most of the gold in the world, but with many other countries unable to base their paper-money values on the value of gold as has usually been done in the past.

TABLE 2.—Balance of payments between the United States and other countries, 1939 [1]

Item	Payments made by the United States	Payments made to the United States
	Million dollars	*Million dollars*
Silver	14	91
Government payments	108	142
Interest and dividends on investments	541	230
Freight and travel services	474	801
Securities, stocks, bonds, etc.	2,372	86
Merchandise	3,177	2,318
Gold	556	3,574
TOTAL	7,242	7,242

[1] Data from publication, The United States in the World Economy—Economic Series No. 23, Bureau of Foreign and Domestic Commerce, United States Department of Commerce.

Are our export balances advantageous or disadvantageous? Our export balance of trade may actually be disadvantageous to us. True, it means that we have sold more goods and services to foreign countries than we bought from them; but it also means that if we have not bought goods and services, we must buy their securities and real estate, carry the amounts due as

debts, or under present practices of international payment, accept shipments of gold in order to balance our international accounts. Gold, in reality, is just another type of goods which has been given special importance through governmental limitations on its price and use. The important question in our international trade is, how can foreign countries get enough of our dollars to pay for the goods and services they buy? In the long run it would seem necessary that goods and services sold to foreign countries be paid for by goods and services bought from them.

If we want to expand our sales of agricultural products and manufactured goods to foreign countries, how do you think they should be paid for?—should they be paid for by our buying more from those countries? If so, should we buy both agricultural products and manufactured goods?

Should we buy raw materials such as petroleum and iron ore in order to cut down home production and conserve our deposits for future emergencies?

Should our exports be paid for by our citizens spending more money in travel abroad and our paying foreign shipowners for hauling more of our freight and not using our own merchant marine? Should they be paid for by our investing more money in the stocks, bonds, and real property of foreign countries, or finally, by foreign countries continuing to ship gold (if they have it) into the United States?

OBSTACLES TO SELLING ABROAD

Numerous obstacles stand in the way of trade between nations. Some of these obstacles are designed by governments to restrict imports or exports but others arise out of unbalance of trade itself. Tariff laws in practically every country place import duties, and sometimes export duties, on specified commodities. For many years before 1930, import duties had been the principal hindrances to the free purchase and sale of goods and services between countries. During the decade of 1930–40, when business depression and economic disorganization were world wide, many countries felt it necessary further to regulate and restrict their international trade. Primarily, these regulations and restrictions were attempts by governments to provide stability of value for their currencies, to protect home industries, and to sustain domestic employment. Such restrictions became even greater obstacles to buying and selling abroad than the almost universal import duties or the less common export duties. Some of the more important barriers were: (1) Ordinary tariff and exchange hurdles, (2) blocked balances and other special exchange restrictions, (3) quotas and other import and export limitations.

TARIFF AND EXCHANGE HURDLES

Import Duties. If import duties are intended primarily to provide revenue for the importing country, they are not made so high as to keep out too many imports; otherwise little revenue would be collected. But if import duties are intended to increase and foster home production, they are made high enough to keep out at least a part of the imports that would otherwise come in. Regardless of the purpose of import duties, if they are high, they cut down purchases from other countries, and the higher the duties, the more foreign trade is restricted.

How a high import duty or other import barriers in one country may affect the export opportunities in other countries is illustrated by the Italian situation of 1935–36. The price of wheat on January 1, 1936, was: in Italy \$2.47 a bushel, in Argentina 93 cents, in Australia 99 cents, in Canada \$1.01, and in the United States \$1.06. Italy raises around 265 million bushels annually and consumes this quantity plus some imports.

Why should Italy encourage wheat production and establish high prices if it could buy all or a large part of its wheat from surplus-producing countries at a much lower price? What would Italian wheat growers do if more wheat were imported? Would wheat-exporting nations gain at the expense of Italy? Could Italy turn to some other kind of farm production, say crops for export, with which it could buy cheaper wheat from abroad? Are any agricultural commodities produced in the United States to which these same questions might apply? In your community?

Through treaties or trade agreements, many countries impose a lower import duty on the products from one country than on the same products from other countries. Why do you think this is or is not a good practice? When a reciprocal trade agreement made by the United States with any country results in a lower United States import duty on a specified commodity, such a lowered rate, with a few exceptions, then applies to the imports of this commodity from all countries. Why do you think this is or is not a good policy?

Export Duties. A few countries impose a duty on certain commodities when they are exported. These duties may be to raise revenue, to keep certain commodities in a country for home use, or to control the exports of a certain commodity and thereby the price when the country has control of the supply of that commodity. From 1922 to 1928, the British Government curtailed the exports of crude rubber from its East Indian colonies for the purpose of raising the price to the plantation rubber growers. Production quotas were established for each grower with mounting export duties when his shipments exceeded his quota. Whether there are one or more purposes in imposing export duties, the effect is to keep down the volume of exports from the countries that impose the export duty. Such a barrier to exports would not be found in the United States, as the Constitution prohibits export duties.

BLOCKED BALANCES AND EXCHANGE RESTRICTIONS

Fluctuating Exchange Rates. Purchases and sales of goods between two countries are slowed down unless the exchange rates remain relatively stable from day to

day and from month to month. For several years, for example, the British pound has sold for about $4.03. Such stability facilitates trade between these two countries as well as other countries that quote prices in either dollars or pounds. When prices were quoted in either United States dollars or British pounds, exporters and importers were certain as to the number of dollars or pounds they would receive or be obligated to pay. In contrast, trade between countries is hampered if the exchange rates are not stable and if exporters and importers are uncertain as to what their actual returns or outlay will be. Stability of foreign exchange rates is essential to healthy trade between countries.

Government Control of Exchange. In addition to export and import duties, other and even more hampering devices are used by various countries. One commonly used is governmental control of foreign exchange. This takes various forms but, in general, the importer must find out from his Government's exchange-control agency whether he will be permitted to pay for the goods which he wishes to buy and what exchange rate he will be asked to pay. This control has several purposes: (1) To keep purchases about equal to sales so that gold need not be shipped out to settle an import balance of trade; (2) to foster imports of certain goods which the Government wishes to encourage—war materials, for example,—as was done by Nazi Germany; (3) to prevent the imports of goods that will compete with home production, and (4) to discriminate against certain countries. The result is a reduction of trade between countries. The United States does not have foreign-exchange control of this kind, but it does have a large fund to help stabilize exchange rates between the United States and other countries.

QUOTAS AND OTHER EXPORT AND IMPORT LIMITATIONS

Import Quotas and Import Licenses. Following 1930, many countries resorted to a limitation on the quantity or kind of goods that could be imported. Those limitations through import quotas were much more effective in keeping out exports from other countries than were import duties alone. Of specified articles, only a certain quantity could be imported within a certain period and often from certain countries only. Thus import quotas were established for the same general purposes as given under Government control of exchange. In the United States, under the provisions of the Agricultural Adjustment Act, import quotas may be imposed on some farm products under certain conditions. Such quotas may be imposed only when it is officially determined that an agricultural adjustment program for a certain crop will not be fully effective if imports of similar products are not so restricted.

For illustration, import quotas have been imposed on the imports of certain kinds and grades of cotton in order to give home cotton growers the full benefits of the governmental cotton program. Similarly, from May 1941 to April 1943, quotas were imposed on imports of wheat of milling quality. Quotas of this kind for a foreign country may not be less than 50 percent of the amount imported from that country in the 5-year period January 1, 1929, to December 31, 1933. Some of the reciprocal trade agreements between the United States and other countries also provide for tariff quotas at reduced rates, as for example, the import quotas on potatoes and tobacco. These tariff quotas do not prohibit imports in excess of the quotas but any excess is subject to the full import duty.

Some countries issued licenses to certain importers permitting them to import goods authorized in import quotas, with the quota divided among the importers in various ways. In other countries all importers must be licensed. In this way control is exercised over the kind and amount of merchandise that may be imported. Licensing is often done to keep out luxuries and to encourage imports that Governments regard as more necessary.

What products raised on farms or bought by farmers in your community have been affected by import quotas of the United States or by export quotas of foreign countries? Has the effect been favorable or unfavorable? What about cattle, cotton, wheat?

Embargoes which nations place on the imports or exports of specified commodities or upon the imports from or exports to a specified country are, of course, most restrictive of all governmental trade regulations. Happily they are not widely used in peacetime.

Government Export Subsidies or Bounties. Such payments when applicable to exports of manufactured articles or agricultural products, designed to increase exports, may easily have the opposite effect. Export subsidies make it possible for exporters to offer their commodities for sale abroad at low prices, and this in the past has led to the imposition of higher import duties and lower import quotas or even embargoes by the countries where the goods were offered for sale. Governments of countries that produce competing products often take such measures to protect their producers from the competition of subsidized imports, or dumping as it is commonly called. Thus, instead of a gain in volume of world trade, export subsidies may result in a loss. In 1939 the United States placed a countervailing duty of 25 percent of the value on all imports from Germany—largely manufactured products. This action was taken to counteract export subsidies paid by Germany on many products sold in the United States. German products were also denied the benefits of duty reductions under reciprocal trade agreements. The countervailing duty, in addition to the regular import duties and charges, contributed to a marked decrease of our German imports and exports. It is well to note, however, that importing countries may welcome export subsidies, for example, on cotton, by a non-

cotton-producing country, as this enables it to buy a necessity at reduced prices.

Barter, an exchange of goods and services for other goods and services, is sometimes proposed as a way to promote trade between nations when there are gold and currency exchange difficulties. Barter has been used by strong nations to the disadvantage of weaker nations and of world trade as a whole. This is illustrated by the pre-war barter agreements between Germany and smaller nations. These nations were at times unable to get the goods they wanted, and were forced to take what Germany offered—for instance, harmonicas, toys, violins, and aspirin instead of cameras and optical goods. On the other hand, these nations were unable to buy elsewhere on the world's market as they had not received money for their exports to Germany.

The use of bilateral trade agreements before the present war was of even greater importance than barter in restricting freedom of international trade. In the case of wheat, for example, when a wheat-importing nation made an agreement with a wheat-exporting nation to take a certain amount of wheat, other wheat-exporting nations had no opportunity even to bid for this business.

What are the advantages or disadvantages of barter between nations? Would the United States dispose of more or less products by bartering? Why do people in your community use money instead of barter? Would the same reasons apply between nations?

HOW THEN MIGHT OBSTACLES TO INTERNATIONAL TRADE BE OVERCOME?

Following are a few of the many proposals that have been made to help overcome obstacles to international trade: (1) Establishing (a) international agencies to facilitate payments between countries and to provide capital development of devastated and backward areas or (b) a clearing union accompanied by some kind of international medium for settling balances. (Taking up these proposals, the International Monetary and Financial Conference of 45 nations at Bretton Woods, N. H., July 1944, recommended an International Monetary Fund and an International Bank for Reconstruction and Development); (2) wide reduction in international trade barriers through an agreement among many nations; (3) equal opportunities for merchant ships of all nations to carry on trade between nations; (4) wide freedom for airplanes to use landing fields and world air lanes; and (5) a Food and Agriculture Organization of the United Nations. The success of practically all proposals rests upon political cooperation among nations and political and economic stability within nations. On the other hand such proposals, if carried out, would promote political cooperation and economic stability.

Why do you think an increasing volume of trade between the United States and other countries is, or is not, esential to the welfare of the people of all nations, including the United States? What benefit, if any, would an increasing volume of international trade in agricultural products or manufactured goods be to the farmers of your community?

Which foreign-trade policy, as outlined in the fourth paragraph of page 1 did the members of your discussion group seem to favor? What were the principal reasons advanced during the discussion that led to this conclusion?

DISCUSSION AIDS

1. International Trade Increases Demand for Farm Products. A.I.S. No. 1. U. S. Dept. of Agri., Washington, D. C.
2. A Post-War Foreign Trade Program for United States Agriculture. O. F. A. R., U. S. Dept. of Agri., Washington, D. C. (Mimeographed).
3. What Is The Discussion Leader's Job? D–3, revised, U. S. Dept. of Agri., Washington, D. C.
4. Suggestions for Group Discussion Leaders DN–2. U. S. Dept. of Agri., Washington, D. C.

SMALL GROUP DISCUSSION

What is needed?

1. A group preferably not over 20 persons.
2. Someone to call the group together.
3. A meeting place in a home, hall, or church.
4. A topic challenging to the thinking of the group.
5. A leader to guide the discussion.

What is Expected of the Members?

1. To be on time—to come with a question or an idea—to help out the leader.
2. To enter the discussion freely, to speak briefly and to the point.
3. To be a good listener; to give others a chance to speak.
4. To have a good time—to learn to disagree agreeably.
5. To leave with more facts and a clearer understanding of topics discussed.

What is Expected of the Leader?

1. To make everybody comfortable—have the members in a circle, with all seated while speaking, including the leader; to open on time.
2. To have some facts about the topic—the Discussion Leaflets may provide them.
3. To have some questions on the topic—to talk little—to draw out others—to aim for 100 percent participation.
4. To be tactful, considerate, and appreciative of members when they take part.
5. To sum up the discussion occasionally—to keep it on the track—to close on time.

United States Department of Agriculture, Bureau of Agricultural Economics in cooperation with the Extension Service, 1944.

Additional copies of this pamphlet may be obtained from your State Agricultural Extension Service or the Office of Information, U. S. Department of Agriculture, Washington 25, D. C.

U. S. GOVERNMENT PRINTING OFFICE: 1944